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The Structure of Economic Policies in Nigeria: A Descriptive Analysis

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Abstract:
This study evaluates the process and structure of economic policy in Nigeria using a contextual analysis. In doing so, the paper established a relationship between economic reform policies and economic growth with the aim of identifying its effects of output level. Using a contextual analysis to demonstrate the casual link, figures are utilised to provide more understanding and clear expression. The study therefore concludes that economic reform policies have contributed immensely to the sustainable growth and development of the Nigerian economy through the introduction of fiscal discipline and transparency in the management of public resources. Although, the regulatory institutions saddled with the responsibility of implementing macroeconomic policies are fragile and weak in relation to adequate manpower and financial resources. As such, the priority of the new administration in Nigeria should be strengthening of these institutions in order to reap the benefit of such reform policies. It is only in this way that enhanced performance from all sectors in the economy be realised and the benefits extend to the citizenry. Government must therefore reduce foreign influence in its macroeconomic management of domestic activities. Policies that has proven to be successful in the long-run must be accorded high priority in order to realise it maximum benefit towards improving social and economic welfare of the citizenry.

Keywords: *structure, economic reform policy, economic growth, Nigeria*

1. Introduction

Structural reforms and stabilization measures have been the major policy strategies of the Nigerian economy since the last three decades. Given the issues surrounding the role of IMF and World Bank in domestic economy, major attention was directed to the effectiveness of these policy reforms on macroeconomic performance as well as the immediate implications of the reforms on social and economic welfare of the household. At macroeconomic level, basket of challenges encircled the economy including over-indebtedness and debt crises; high inflation rate; poor investment performance and growth. While at the house level, poverty level increases hence, all indicators of social and economic development pointed to a significant weakening in the country's performance.

In an attempt to curtail the worsening economic situation in 1982, the then president of Nigeria, instituted an Economic Stabilisation measures through the economic stabilisation Act of 1982, largely targeting Nigeria excessive level of imports. The measures emphasised fiscal discipline and reduction of state expenditure on social and welfare services. The measures also included a wage freeze and an embargo on employment. Shortly, a new government emerged in 1983 through a military coup. The new administration introduced Austerity Measures as a policy programme, the objective of the economic policy (as articulated in the 1984 budget) was to arrest the decline in the economy, to put the economy on a proper course of recovery and solvency, and to chart a future course for economic stability and prosperity (Budget office of the federation, 2016; Daniel, 1984).

When Stabilisation and Austerity measures fail to succeed, the government restored to borrowing from the international financial market. The situation was further compounded by the increasing interest rates resulting from a general decline in economic productivity in the industrialised countries and the subsequent worldwide recession in the early 1980s. As a result of this recession, it became extremely difficult for Nigeria to generate a sufficient volume of export service. It could neither service its debts nor reduce the principal debt stock or financing and adequate level of current imports. Therefore, the immediate impact of the declining term of trade, recession, increasing interest rates and the failure of Austerity Measures, was an increase in Nigeria external debts from USD $30 million in 1973 to over USD $20 billion by 1985 (Anochie & Duru, 2015).

During that period, a large number of developing countries including Nigeria have adopted Structural Adjustment Programmes (SAP) under the leadership of the International Monetary Fund (IMF) and the World Bank. Typically, these programmes involved the attainment of a viable balance of payments, satisfactory long-term growth performance, low inflation rate and also a combination of structural policy reforms aimed at transforming heavily controlled economies into market economies (Anochie & Duru, 2015; Paul & Jan, 1999). Generally, the need for an adjustment programme, whether supported by funds or otherwise, arises when a country experiences an imbalance between aggregate domestic demand and aggregate supply, which is reflected in a worsening of its external payments position and a rise in domestic prices.

Nigeria embarked on SAP in July 1986, because of the collapse of the international oil market, which led to a drop in Nigeria foreign exchange reserve from USD $8.50 billion in May 1981 to USD $2.85 billion by December 1981 and the downward slide in Nigerian terms of trade as a result of fluctuation in the international commodity market (Nwagbara, 2011; Anochie & Duru, 2015). The Structural Adjustment Programme was aimed at stimulating supply and creating favourable conditions for restoration of the economy along the path of sustainable growth. The adoption of tight monetary and fiscal policies was a major policy tool for enhancing the success of SAP (Kole, 1993; Olopade & Olopade, 2010). The fiscal measures were designed to rescue government fiscal programmes. Some of the measures included policies to widen the government revenue base, reduce subsidies and imports, reduce government involvement in economic activities and relocate resources in favour of the private sector. More worrisome is the fact that budget deficits have persisted over the years, despite the economic reform policies and adjustment programme (Paiko, 2012; Abata & Adejuwon, 2011).

As aforementioned, several previous administrations in Nigeria has introduced and implemented different economic reforms and policies with the view to restore the economy and achieve macroeconomic objectives in the long-run. But the extent to which these policies are conducted, the procedures and modalities of implemented them have not been established by the existing literature. As such, this study is therefore aimed at addressing this inefficiency on the strength of theoretical explanations and further identify the structure, modalities and process of implemented economic policies in Nigeria with the view to determine its effects on economic growth and sustainable development. The rest of this paper is categorised as follows: section 2 deals with the literature review in both developed and developing countries; section 3 highlights the structure, modalities and process of implementing economic policies in Nigeria; section 4 deals the conclusions and some policy recommendations.

2. Review of the Literature

In the present literature, a good number of studies have been conducted on the relationship between economic policies and reform programmes in both developed and developing countries. Different techniques and approaches are adopted among the scholars in relation to types of data, number of variables and economic conditions of the study area. Among these literatures include the followings: Akpan and Udofia (2016) examine the effects of economic policies on private consumption expenditure in Nigeria using time series data covering the period of 1981 to 2014. In order to realise the study objective, instruments of fiscal and monetary policies were utilised to establish the relationship. The study adopted an OLS technique for estimation and finding reveals that economic policies significantly contributes to private consumption and economic growth simultaneously.

In addition, Olusegun (2014) examine the effects of macroeconomic policies on agricultural development in emerging and developing countries. By demonstrates how the import policy on agriculture especially in the early phase of development can leads to economic growth, the paper utilised a descriptive analysis to explore both theoretical and empirical evidence. Result indicates that a favourable macroeconomic environment is essential and desirable for any meaningful and sustainable development.

Furthermore, Alder, Shao and Zilibotti (2013) examine the effects of economic reform and industrial policy on economic growth. The study employed a panel of 270 cities from 1988 to 2010 to exploit the variation in establishing different types of zones within the region and to further determine the developmental effects of the said reforms. To estimate the result, a regression analysis is employed using a logarithm transformation of the variables. Finding reveals that economic reform contributes to the increase and growth of real GDP level.

Likewise, Stillman, Velamuri, and Aitken (2008) examine the long-run impact of structural reforms on local communities in New Zealand using a census data covering 1986 to 2001. The paper analyses the adjustment process in 140 sample areas by adopting three constructs namely; employment, population, and housing price as the basis for measuring the impact of structural reform on local communities. Estimated findings from the regression analysis shows that structural reforms in New Zealand has a persistent effects and long-run impact on the local communities.

Similarly, Džunić (2006) examines the relationship and interdependency that exists between economic reforms and political liberalisation in the post-socialist transition economies. While a contextual approach is adopted to demonstrate the impact, the correlation coefficient between economic growth, the policy of economic reforms and political liberalization reveals high intensity, implying that countries with the highest index of democratization also possesses higher growth rates. In particular, there exist a positive development in form of economic growth due to simultaneous interactions of liberalization measures both in economy and politics.

In the same vein, Chirwa (2005) examine the effects of macroeconomic policies on poverty reduction in Malawi using a panel data from 1998 to 2002. The paper utilised a regression analysis to show evidence on the impact of changes in intermediate policy outcomes in rural areas of Malawi. Finding shows that macroeconomic policies which facilitate and enhance the living standard of the people through provision of job opportunities have the greatest potential in reducing poverty and leads to economic growth.

In another development, Carvalho, et.al (2013) analyses the impact of reform of economic institutions and infrastructure sectors on the economic, educational and health dimension of human wellbeing among 25 transition economies. The paper utilised a panel data covering the period of 1992 to 2007 and the regression analysis to measures the effects of reforms packages for the countries under consideration. In general, results show that reform measures have a positive impact on economic growth but the effect depends on individual countries as the result revealed a mix finding.

Furthermore, Staehr (2005) determine the effects of policy reforms on economic growth in 25 transition economies by using a panel data covering the period of 1989 to 2001. In addition, the speed at which policy reforms are implemented and introduced into the system are examined, hence remained a controversial issue in many transition economies. Results from the regression output indicates that macroeconomic reforms are essential to economic growth, although policy of liberalisation and small-scale privatisation without structural reforms also contributes to sustainable development in the long-run.

In addition, Hill (2013). Evaluates the implication of policy reforms within the political economy framework of Asian countries. The study further highlights factors that appear to be regularly present during significant and durable reform episodes. The admonition of course is that it is difficult to generalize across a highly diverse set of institutional circumstances, development stages, and policy issues. By adopting an analytical survey of economic policy reforms in Southeast Asia, result shows that reforms are essential to economic development particularly when they deliver within the constituency expectations. This implies the need for the reforms to be comprehensive and property aligned with other sub-sectors of the economy, hence the implementation process is desirable.

Moreover, Kathuria, Raj and Sen (2013) examine the effects of economic reforms on manufacturing dualism in India by taking into cognisance the existence of productivity differentials between informal and formal manufacturing firms. The aim is to identify the technical efficiency levels of formal and informal manufacturing firms and the effects of economic reforms for the given industry. The paper employed a cross-sectional data covering the period 1989 to 2006 and uses a stochastic frontier analysis to find the firm measures of technical efficiency. Findings from the estimation reveal that economic reforms have contributed to the rapid increase of productivity level of Indian manufacturing firms across both the formal and informal sectors.

Also, Moshi and Kilindo (1999) determine the effects of government policies on essential macroeconomic indicators in Tanzania. The paper assumed that private sector investment is necessary if meaningful economic growth is to be realised. To attain such milestones and enhance investment level, suitable monetary and fiscal policies needs to be designed and implemented combined with optimal provision of social and economic infrastructures. Result shows that economic policies of Tanzania have contributed immensely to output growth through private investment.

3. Implementation of Economic Policy in Nigeria

The structure of the Nigerian government policy since early 1970's has been ruled and controlled by oil revenue. Oil revenue stood at ₦ 3,724.00 million in 1974 representing 82% of the aggregate revenue, which was higher than 54.4% earned in 1972. The share of oil revenue represents four-fifth of the aggregate government revenue (Fukasaku & de Mello Jr., 1997; and CBN, 2015). The speedy and prompt increase in oil revenue, which accrued largely to the government, reinforced rapid expansion in government fiscal policy operations. Furthermore, the legacy of the military governments, whose philosophy was more about uniting the country than federalism, has compounded the inefficiencies and inequity in fiscal governance and fiscal sustainability (Udoh, Afangideh, & Udeaja, 2015).

The issue of fiscal imbalances has generated considerable debate among the various tiers of government. The issue has been highly argumentative in the country because the excess country's earnings are obtained from taxation of non-renewal natural resources that are frequently concentrated in a particular portion of the country because of inequity in the political restructuring of such centrally collected revenues. The present/existing sharing revenue formula from the federation account allocation committee (FAAC) raised as federal government receives 56%, state governments 24% and 20% to the local government. This revenue sharing system produces inefficient fiscal and economic outcomes (Budget office of the federation, 2016; and Fullwiler, 2007). Furthermore, see the theoretical framework on Figure 1 for the relationship between economic policy and its constructs.

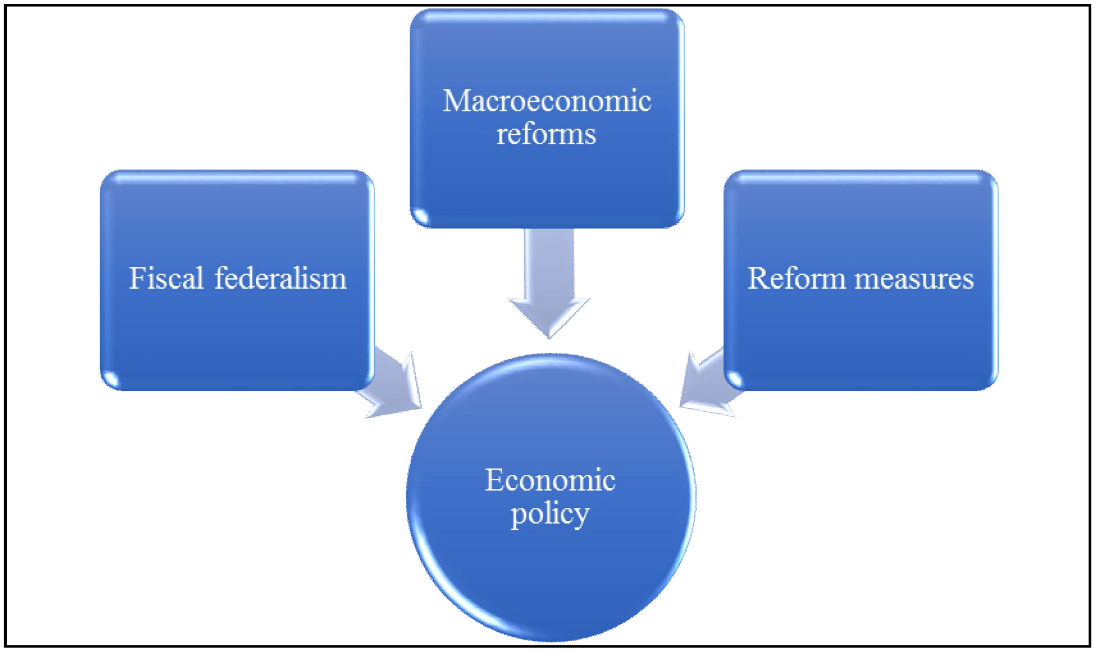

Figure 1: economic policy and its constructs

The design of a more robust revenue sharing system and the efficient intergovernmental transfer mechanism is central to long-term economic and political stability of federal systems especially in a commodity dependent developing economy. In order to design a robust revenue sharing arrangement, two arguments are often considered important (Anwar, 2007). First, the transfer system should provide a risk-pooling mechanism for states or region in the federal system as they alternately experience economic booms and shocks. Economic theory suggests that such risk-sharing mechanism is welfare improving. Second, given that horizontal and vertical inequalities characterise most federal system, such transfers are essential in minimising inter-state social and economic discrepancies and support weak fiscal bases. However, weak fiscal bases are not necessarily due to low revenue generating capacity of states and local governments. In Nigeria, the key causal factor is the efficiency and equity, therefore such free-rider and opportunistic behaviour should be minimised and discouraged (Udoh, et.al, 2015).

3.1. Fiscal Federalism Reform

The emergence of oil has caused a gradual and systematic deterioration of fiscal federalism in favour of fiscal centralism (Olofin, et al. 2013). The demand for resource control has increased against the distributional inequity in the sharing of oil revenue which was not to the advantage of oil producing communities and their lack of social infrastructure and general state of underdevelopment- though they appeared as the highest recipient of this allocation from the federal government (Abata & Adejuwon 2011; Baunsgaard, 2003). Non-oil producing regions have benefited a lot from oil exploration through revenue expansion due to their lack of exposure to the catastrophic environmental externalities of oil and gas, despite the environmental and social effects of petroleum exploitation and their economic deficiency, it has continued to escalate the destabilising trend in the country. The government control over access to the oil, which has been the main source of government revenues; has been at the hearts of Nigeria politics, economics and governance in the last three decades (Agu, et al., 2014).

In addition, the political structure/process has engaged a lot of oil resources to satisfy conflicting regional and ethnic interests in an underdeveloped economy operating a quasi-federal political system. The only available political solution to appease a certain portion of the society with rising hopes and expectations about the share of the national revenue is the creation of new states funded from oil wealth (Olofin, et.al, 2013; Anwar, 2007). As a result, there would be a systematic political burden imposed on the government finances because of the demand for administrative and infrastructural development by the newly-created states coupled with social and political responsibilities of the government (Ezeabasili & Herbert, 2013; Karnik, 2002).

Several factors have been identified as obstacles to the achievement of sound fiscal management and therefore impede economic development in Nigeria (Ezeabasili & Herbert, 2007; Agiobenbo, 2003). The main obstacles identified with the implications of the Nigerian fiscal system are: First, is the lack of fiscal communication between revenue generation and expenditure at the sub-national levels. Therefore, government expenditure is not linked in any substantial way to Internally Generated Revenue (IGR) - which is based on local tax effort. Second is the fiscal behaviour at the lower tiers of government (State and local government), which is highly pro-cyclical and is determined in most cases by tax revenue sharing. The sharing of revenues from the federation account and excess crude oil revenues continues to pose a significant challenge to the Central Bank of Nigeria whose significant responsibilities is to keep inflation at a lower level. Thirdly, when the bulk of government revenue comes from a transfer between one tier to the other, then, the issue of greater efficiency in the expenditure and procurement and optimal mix of taxation becomes insignificant, hence fiscal efficiency will be of low importance. Finally, there is a lack of equity, fairness and inefficiency connected with the politically redistributed revenues when the sharing formula is filled with factors which reflect the preferences of those states with weak tax effort.

These factors that are used in sharing revenue have rooted the imbalances in oil revenues and encouraged poor tax compliance, a weak tax base and tax administration. This has served as a disincentive to fiscal prudence and sustainability.

In view of the identified shortcomings, the following policy measures were proposed (Ezeabasili & Herbert, 2013) as follows: The need to implement Pareto-improving revenue allocation policy is highly essential. At Pareto optimality, the revenue allocation formula will provide encouragements for any tier of government to employ more tax effort in order to generate more revenues in their specific areas of jurisdiction rather than being a free-rider. Also, there is a need for government to restore the unpleasant revenue sharing arrangement to minimise the irregularities identified in the system and to properly design an inter-governmental transfer system that reimburses federating units with higher tax effort in order to ensure long-term political and economic stability. Finally, governments should, as a matter of urgency, address this fiscal imbalance associated with resource distribution inequity in the environment. Also, they must use transfers to encourage some federating units to co-opt social and economic externalities through the adoption of certain socio-economic programmes, such as the Sustainable Development Goals (SDGs) programmes.

3.2. Current Macroeconomic Reform

One of the central responsibilities of the government is to protect and promote the welfare of its citizens. In order to achieve this, government must choose among other things, the most suitable economic policy to follow. Whatever form of public policy government pursued, fiscal and monetary policies play a pivotal role in the actualisation of the public macroeconomic goals of promoting the welfare of its citizens.

In a remark at the signing of 2016 appropriation bill to the joint session of the national assembly, the President of Nigeria made it clear that, the government made a deliberate choice to pursue an expansionary fiscal policy despite a huge decline in government revenue from crude oil sales. This, according to the government will go a long way in the achievement and maintenance of the highest possible rate of increase in the standard of living (State House, 2016). The President further asserted that "the signing of the budget will trigger concerted efforts to reflate the Nigerian economy. A key element of which, is an immediate injection of ₦350billion into the economy by way of capital projects. To illustrate government renewed commitment to infrastructural development, the 2016 budget allocates over ₦200 billion to road constructions as against a paltry ₦18 billion allocated for the same purpose in the 2015 budget (State House, 2016)".

In other words, the 2016 budget gives new hope and priority to investments in power supply, road constructions, education, national security, portable drinking water, agriculture and rural development, and health so that the basic essentials needed to make life more comfortable for citizens and provide the necessary building blocks for diversification of the economy can continue to be in place. The budget makes available for a contemporary and effective management of financial resources paying due regard to the need to maintain macroeconomic stability and achieved a good fiscal stance in order to avoid excessively heating up the economy through provision of the Single Treasury Account (TSA) and zero tolerance on corruption which is expected to contribute immensely to improving transparency over government revenues (Budget Office of the Federation bulletin, 2016).

Given the investments in basic infrastructure and the relative macroeconomic stability, the country is expected to experience strong GDP growth rate and relatively stable exchange rate with some possibility of Nigerian currency (Naira) appreciating against the US dollar. With regard to inflation, the objective is to maintain a prudent fiscal stance so that monetary policy will have a chance to work independently through CBN, to lower down the value of inflation rate from the relatively high double digits to a single digit. The CBN is designed with an effective liquidity management system that will mop up excess liquidity and maintain stability in the economic management (Budget Office of the Federation bulletin, 2016).

In addition to other policy reforms, the federal government introduced the N-Power programme with the view to minimizing the challenges of youth unemployment through providing a structure for large scale and relevant skill acquisition works. The programme is expected to provide a platform for diversifying the economy in different dimensions and prepare the Nigeria youths for a knowledge-based economy, hence they become competitive innovators within the domestic and international markets. Since knowledge and skill are among the determinants of economic growth and social development, harnessing youth potentials through appropriate skill development programmes will provides long-term opportunity to achieve output growth and sustainable development within the market-oriented economy. Furthermore, the programme has recorded tremendous success in the areas of implementation and job creations as over 500,000 youths are employed in different categories of the programme.

3.3. Reform Measures

The fundamental objective of the macroeconomic reforms was to stabilise the Nigerian economy, to improve budgetary planning and execution, and to provide a platform for sustained economic diversification and non-oil growth. A major challenge was a provision of viable measures that would dis-associate government spending from oil revenue earnings by introducing an appropriate fiscal rule. The adoption of this could enable the accumulation of government savings for smoothening public expenditures in the country. (Zhattau, 2013; Baunsgaard, 2003).

An oil price-based fiscal rule was introduced in Nigeria, in which public sector spending was based on a judicious oil price benchmark. Any excess revenue that accumulated above the budgeted amount is saved in a special excess crude account. In recent years, government budget has been based on conservative oil prices of US $65 per barrel in 2015 and US $38 per barrel in 2016, the price woefully falls to US $48 more than US $15 below the country's budget estimates in 2015, to an average of US $27.10 in January 2016 becoming the lowest price recorded in that year. It later rises to US $49.90 per barrel in the initial days of last quarter of 2016 (Budget office of the federation bulletin, 2016; CBN bulletin, 2015).

The adoption of this rule has ensured that government expenditures are to some extent, dis-associated from oil revenue earnings, thereby limiting the transmission of external shocks into the domestic economy. There was a marked improvement in the government's fiscal balance, with the previous deficit of ₦1,153.49 billion in 2013 to an average of ₦835.68 billion by the end of the year 2014 representing 0.93 percent of GDP, but later increase to ₦1,557.79 billion or 1.64% of GDP in 2015 (CBN bulletin, 2015). Adoption of the fiscal rule also resulted in significant public savings for the government. This has manifested in the increased gross excess crude savings and foreign reserves from 2012 to 2013 but later fall drastically between the year 2014 to 2015 (CBN bulletin, 2015).

The implementation of monetary policy was similarly fairly disciplined, with the central bank adhering to various monetary targets and reducing inflation. End-year inflation declined from 12.0 percent in 2012 to 7.96 percent in 2013 and 9.98 percent in 2014 but increased slightly to 9.55 percent at the end of 2015. Similarly, interest rates, although relatively high, are gradually declining: prime lending rates have declined, though insignificant, from about 17.6 percent at the end of 2010 to 16.0 percent at the end of 2011. This slightly increases to an estimated value of 16.5 percent from 2012 to 2015. Finally, the adoption of the Wholesale Dutch Auction System facilitated the convergence of foreign exchange markets and the elimination of a previous black market premium (CBN bulletin, 2015).

The improved implementation of fiscal and monetary policies has provided a stable and environmentally-friendly macroeconomic environment, which is crowding in private sector participation in the domestic economy (Abdurrauf, 2015). From the literature (CBN bulletin, 2015), credit to the private sector grew from ₦530.37 billion in the year 2000 to an estimated value of ₦1,838.39 billion in 2005 representing 12.6 percent of the GDP and exceeding its targeted growth rate in the same year. From 2006, credit to private sector rise from ₦2,290.62 billion, to ₦10,157.02 billion in 2010, and ₦18,674.15 billion in 2015 although resulting in a significant decline in actually targeted growth rate. In addition, Net Credit to the Government (NCG) declined by 37 percent compared with the targeted decline of 11 percent. The fall in lending to the federal government was attributed mainly to a decline in the central bank's holding of treasury securities. In 2009, the NCG reveals 25.9 percent, exceeding its targeted rate of 21.9 percent, while increase to 43.49 percent, but slightly declined below its targeted 51.36 percent in 2010. From 2011, NCG continues to fall drastically producing a negative percent of -138.04 in 2012 but later increased to an average of 1.89 in 2014 and 151.56 percent in 2015 exceeding the targeted rate of 36.05 in the same year 2015.

In general, the attainment of relative macroeconomic stability has provided a platform for an improved growth performance in recent years. The real GDP growth rate has an average of 7.01 percent in 2005 but later increase to an estimated annual increase of up to 9.54 percent in 2010. This is an outstanding improvement on the performance over the decade before reform when annual growth rates averaged about 0.52 percent specifically in 1999, declining below its targeted amount of 3.0 percent (CBN bulletin, 2015). In 2010, the real GDP growth rate was estimated as 9.54 percent higher than its targeted amount of 6.10%, but slightly decrease to 6.22 percent and 2.79 percent by the end of the fiscal year 2014 and 2015, respectively. More importantly, the recent strong growth rate was motivated by a strong growth performance in the non-oil sector, which is necessary for employment creation and poverty alleviation (CBN bulletin, 2015).

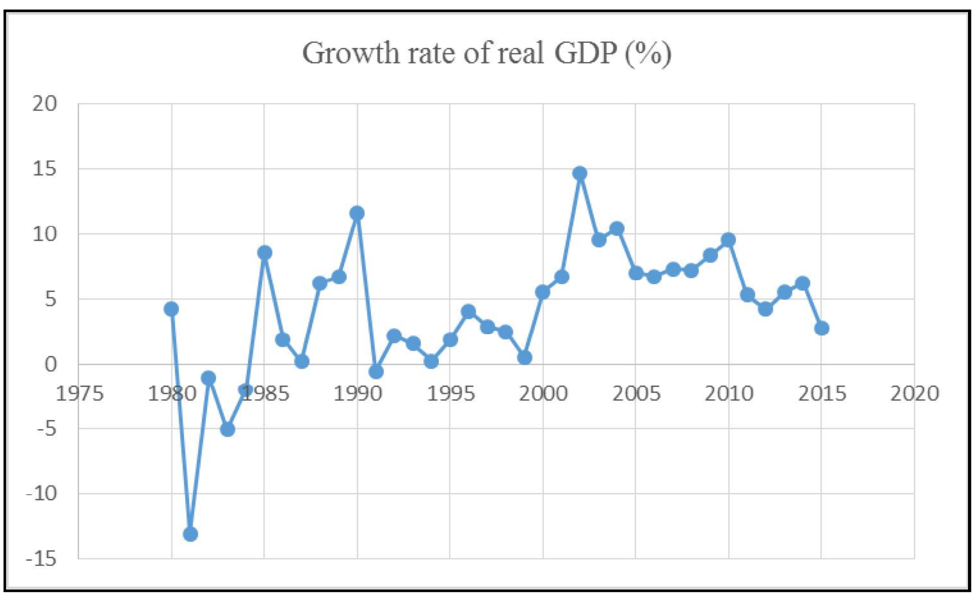

Figure 2: growth rate of GDP

Progress in oil revenue management and implementation of monetary policy was complemented by improvements in debt management and the budget preparation process. Public debt declined substantially from about 74.8 percent of GDP in 2003 to about 14.2 percent in 2006, largely because of a successful debt relief agreement with the Paris Club (Debt Management Office, 2015; Okonjo-Iweala & Osafo-Kwaako, 2007). Nigeria paid its outstanding arrears of $6.4 billion, received a debt write-off of $16 billion on the remaining debt stock and purchased its outstanding $8 billion debt under a buyback agreement at 25 percent discount for $6 billion. The entire debt relief package totalled $18 billion, or a 60 percent write-off in return for a $12.4 billion payment of arrears and buyback. The exercise involving the buyback was unprecedented in the Paris Club for a low-income country and was the second largest debt relief operation in the club's 50-year history. Other external debt, particularly debt owed to London Club commercial creditors, are similarly being restructured and paid off (Debt Management Office's bulletin, 2015). Although with the exception of 1996 the value of domestic debts appears to be on the increased during the entire study period.

Strengthening the budget preparation and execution process was also urgently needed in order to improve the efficiency of government spending and improve service delivery to the Nigerian society, especially with the hardship currently being experienced where life is becoming unbearable to the larger portion of the population (Everton, Vincent & Wilson, 2012). In the previous years, accountability and weaknesses in budget implementation and monitoring had resulted in a poor quality of government expenditures and many ambitious and undesirable public projects, where corruption is the order of the day (Egunjobi, 2013; Okoro, 2013). The current improvements are being supported by the preparation of a fiscal strategy paper laying out the options and trade-off for budgetary spending, as well as improved management of government finance. Like the previous administration, Medium Term Expenditure Frameworks (MTEF) and Fiscal Strategy Framework (FSF) are introduced to ensure that sectoral spending programmes reflect government development priorities and also remain within the projected resource coverage (Okonjo-Iweala & Osafo-Kwaako, 2007; Onyemaechi, 2014; Budget Office of the Federation, 2016).

3.4. Current Challenges

Nigeria as a country faces many challenges in sustaining economic growth and improving its comprehensive development indicators towards achieving macroeconomic growth and stability. Similarly, there are needs for policymakers in the economy to combine previous and present achievements from various reforms to enable them to address any obstacle in outstanding future reform policies. The adoption and implementation of economic reforms in Nigeria (as aforementioned) are solely undertaken by the central government. However, fiscal decentralisation in Nigeria implies that one-third of the aggregate government expenditures should be allocated to state and local government (Olofin, et al., 2013). These tiers of government also possess significant freedom and autonomy in expenditure decisions, which are supposed to be directed towards the provision of quality social services at a certain level.

On the other hand, problems of mismanagement, poor accountability and corruption, low capacity utilisation, and weak institutional base at the federal level, hinder the ability to design and implement viable and appropriate government policies (Cyril, 2016; Abdurrauf, 2015). It is therefore particularly important for these tiers to improve transparency in budget execution and implementation, enhance efficiency in managing government expenditure and concentrate on growth strategies in all the various sectors.

However, given the recent crisis in the price of oil in the world market, and Nigeria's dependency on the product as the major source of foreign earnings, emphasis must, therefore, be placed on non-oil growth, which is necessary and desirable for alleviating poverty and unemployment menaces (Akwe, 2014; Ghiath & Nadeem, 2007; Agiobenbo, 2003). The benefits of reforms to average Nigerian would remain limited unless growth is sustained and also derived from sectors with high influences on poverty reduction such as agriculture and small-scale businesses. This will go a long way in reducing the double-digit unemployment rate, by providing access to financing for young entrepreneurs with innovative skills through microfinance banks and the N-Power programme.

Deterioration of public infrastructure in Nigeria is another major challenge. The current and poor nature of domestic infrastructure enforces higher transaction costs on businesses and reduces the country's competitiveness of the private sector (Badinger, 2009; Addison, 2003). Major infrastructural bottlenecks exist in areas such as power. In fact, poor condition of the power supply demonstrated the extent of infrastructural decay in Nigeria. Lack of adequate access road, dilapidated railway transportation system, and the use of obsolete facilities in ports, among others are few challenges awaiting the present administration (Okonjo-Iweala & Osafo-Kwaako, 2007).

Lastly, regional agitations, social unrest and communal clashes in Nigeria remains an important challenge for policymakers. For example, vandalisation of oil pipelines by militants in the Niger Delta region is a counterproductive exercise, especially with the emergence of new terror group called "Niger Delta Avengers" whose deadly activities have caused insufficiency in the availability of oil-product both for export and domestic consumption. As a result, there was a gradual and total decline in the export of crude oil, which leads to lower revenue and foreign earning to the country. Kidnapping and the activities of *Boko Haram* militants are also counterproductive, frightening away investors not only from the oil sector, but also from other potential sectors of the economy, particularly agriculture, mining and solid minerals. Government must therefore design a number of wider long-term economic development programmes needed for these regions, by providing employment opportunities, skills acquisition training, and equity participation of local residents in the oil and gas sector. This will go a long way in ensuring equity in the intergovernmental fiscal relation (Olofin, et al, 2013; Anwar, 2007; Okonjo-Iweala & Osafo-Kwaako, 2007).

4. Conclusion

This study evaluates the structure and modalities of economic policy in Nigeria using a contextual analysis. In doing so, the paper established a relationship between economic reform policies and economic growth with the aim of identifying its effects of output level. The Nigerian economy witnessed a fluctuating output growth in the last three decades contributed largely by the volatility in global oil prices and the consequents economic reforms embarked on by the successive administration since the military era. This, to some extent has resulted to economic collapse and mismanagement of the country's resources at the expense of citizenry leading to decline in social welfare. Although, the positive side of the reforms overshadow the negative side due to its aggregate effects on economic and political sphere as evidenced in the country's enlistment among the fastest growing emerging-market economy. The study therefore, concludes that economic reform policies has contributed immensely to the sustainable growth and development of the Nigerian economy through the introduction of fiscal discipline and transparency in the management of public resources. In view of this, regulatory institutions saddled with the responsibility of implementing macroeconomic policies are fragile and weak in relation to adequate manpower and financial resources. As such, the priority of the new administration in Nigeria should be strengthening of these institutions in order to reap the benefit of such reform policies. It is only in this way that enhanced performance from all sectors in the economy be realised and the benefits extend to the citizenry. Government must therefore reduce foreign influence in its macroeconomic management of domestic activities. Policies that has proven to be successful in the long-run must be accorded high priority in order to realise it maximum benefit towards improving social and economic welfare of the citizenry. In addition, adequate regulations of the entire public finance are necessary to minimise capital flight, check corruption and mismanagement of public fund in the domestic economy.

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